



U.S. DEPARTMENT OF ENERGY
Office of Electricity Delivery and Energy Reliability
Infrastructure Security and Energy Restoration

ENERGY ASSURANCE DAILY

Tuesday, February 20, 2007

Major Development

Explosion and Fire Closes Valero's 170,000 b/d McKee Refinery in Texas Company Unsure of Restart Date

An explosion and fire believed to have started in the propane de-asphalting unit, forced the closure of the 170,000 b/d Valero McKee refinery in Sunray, Texas on Friday, February 16. An explosion took place about 2:00 p.m. local time and the resulting fire burned until the next day. Access to portions of the refinery is still limited. As of the latest information available, the company continues to assess the extent of the damage and has not been able to provide an estimate of the impact on production or when a partial restart of the refinery could be expected. On February 19, a company representative indicated that a damage assessment team "is beginning to address engineering design issues and identifying materials needed for the rebuild effort."

<http://www.mysanantonio.com/news/metro/stories/MYSA021907.valero.en.1655b95a.html>

<http://www.kiplingerforecasts.com/apnews/XmlStoryResult.php?storyid=309607>

http://biz.yahoo.com/ap/070217/refinery_fire.html?v=3

<http://www.platts.com/Petrochemicals/News/6357680.xml?p=Petrochemicals/News&sub=Petrochemicals>

<http://www.chron.com/disp/story.mpl/business/energy/4560584.html>

<http://www.washingtonpost.com/wp-dyn/content/article/2007/02/17/AR2007021700737.html>

Bloomberg, 15:12 February 19, 2007

Reuters, 23:13 February 19, 2007

Electricity

Pinnacle West's 1,340 MW Palo Verde Nuke Unit 2 in Arizona Shut February 19

According to a company spokesman, the unit shut yesterday because of an oil leak from a pump that is part of a safety system. The unit could be sending power to the grid later this week.

Bloomberg News, 12:50 February 20, 2007

Update: Duke's 846 MW Oconee Nuke Unit 2 in South Carolina Back at Full Power February 20

Unit 2 ramped up to full capacity by early this morning. Both Oconee units 1 and 2 shut late last week due to a transmission anomaly at the plant's switchyard. The 846 MW Unit 1 remained shut today.

Reuters, 07:26 February 20, 2007

TVA's 1,118 MW Browns Ferry Nuke Unit 2 in Alabama Reduced to 25 Percent February 20

The unit dropped to 25 percent of capacity, down from 73 percent of capacity early Friday.

Reuters, 07:18 February 20, 2007

Entergy's 855 MW FitzPatrick Nuke Unit in New York Reduced to 55 Percent February 20

The unit was reduced to 55 percent of capacity so that workers could replace a seal on a pump that supplies water to the reactor.

Bloomberg News, 12:24 February 20, 2007

Biofuels Production Plant and Biomass Generation Facility Proposed for New Hampshire

North Country Renewable Energy has proposed constructing a new energy park consisting of two separate facilities: a 75 MW biomass plant designed to burn some 1.2 million tons of wood waste per year, and a biofuels plant making cellulosic ethanol. If approved, construction is expected to begin in April of 2008.

<http://www.mountwashingtonvalley.com/BDS/newsbds.shtml>

PNM Plans 140 MW Natural Gas-fired Peaking Plant for New Mexico

Public Service Company of New Mexico announced plans for the construction of a new 140 MW plant to be built in the Rio Grande Valley. The company anticipates that the plant would be operational by June of 2008 and would operate for less than 20 percent of the time during the peak summer season and only rarely during the remainder of the year. Land-use and air quality permits have been obtained for the plant.

http://www.pnm.com/news/2007/0208_valencia.htm

Petroleum

Propane Shortage in Maine Results from Canadian Rail Strike

Officials from the Fuel Oil Dealers in Maine indicate that the propane shortage that developed when rail shipments from Canada were disrupted by a rail strike remains acute. The strike against the Canadian National Railway began on February 10. Although 20 rail cars carrying propane are either on the way to Maine or have just arrived in the State, their combined volume is insufficient to meet the continuing demand of between 300,000 to 400,000 gallons per day. A ship carrying propane is expected to dock in Rhode Island on February 24 and some 3 million gallons will be set aside for delivery to Maine. In Canada, the Labor Minister has indicated that he will introduce legislation tomorrow to force the workers return to work if no settlement is reached. Some \$55 billion of goods were shipped to the U.S. from Canada by rail in 2005.

<http://bangordailynews.com/news/t/news.aspx?articleid=146579&zoneid=500>

<http://www.bloomberg.com/apps/news?pid=20601082&sid=aEJzT31xdYwA>

<http://www.bloomberg.com/apps/news?pid=20601082&sid=aEJzT31xdYwA>

Units Restarted After Power Failure at Suncor's 90,000 b/d Commerce City Refinery in Colorado

The cause of a power failure at Suncor's 90,000 b/d Commerce City, Colorado refinery is still to be determined. The western portion of the refinery which processes sour crudes lost power about 9:00 a.m. MST on February 18. Officials slowly brought up units and the refinery was fully operational early on February 20. The outage reduced output by about two-thirds. The refinery produces approximately 35 percent of the gasoline supply and more than 50 percent of the diesel supply for Colorado.

http://cbs4denver.com/local/local_story_050192539.html

http://biz.yahoo.com/ap/070218/refinery_shutdown.html?.v=1

Reuters, 11:41 February 20, 2007

Multi-Unit Shutdown Begins at Alon's 68,000 b/d Big Spring Refinery in Texas February 18

According to a filing with Texas regulators, Alon USA has begun a multi-unit shutdown on Sunday. According to the filing, a leak in a reformer exchanger must be repaired before it poses a threat to safety. Among the seven units to be shut are Sulfur Recovery Unit No. 2 and a diesel hydrotreater.

Reuters, 19:27 February 18, 2007

Bloomberg News, 15:57 February 19, 2007

Hydrocracker Restarting at BP's 460,000 b/d Texas City Refinery February 18

BP is restarting the 60,000 b/d hydrocracker and expects the restart to last till February 25. The company had started the hydrocracker in December after a 15-month shutdown but halted the restart before January 4. This is the third restart attempt since December.

Reuters, 19:12 February 18, 2007

Bloomberg News, 03:01 February 19, 2007

Compressor Surges at ExxonMobil's 155,000 b/d Torrance Refinery in California February 20

According to filing with California regulators, a compressor surged and sulfur dioxide was released into the air. Bloomberg News, 09:56 February 20, 2007

Compressor Malfunctions at ConocoPhillips's 216,000 b/d Sweeny Refinery in Texas February 16

According to a filing with Texas regulators, a compressor malfunctioned and led to flaring.

Bloomberg News, 17:15 February 16, 2007

Update: Imperial Still Assessing Fire Damage at its 118,000 b/d Nanticoke Refinery in Ontario

On February 16, Imperial Oil indicated that it was continuing to assess the damage from a fire that occurred at the refinery the day before. Although the refinery is operating Imperial stated that it is operating at a reduced rate. However, Imperial did not provide any specifics as to the extent of the damage or on the impact on production. Oil Daily, February 20, 2007

U.S. to Buy 50,000 b/d for SPR This Spring - DOE

According to the U.S. Department of Energy (DOE) officials, the U.S. government will begin buying about 50,000 b/d of crude oil this spring to begin filling the Strategic Petroleum Reserve (SPR) to its full capacity. That amount will rise to 100,000 b/d at a later date. However, Energy Secretary Samuel Bodman has said that if those purchases affect price, the government would "back off." Last month, the DOE said that it plans to buy 11 million barrels of crude for the SPR this spring to replace a similar amount of oil that was sold to refiners after Hurricane Katrina disrupted petroleum supplies in fall 2005. The SPR currently holds about 689 million barrels of crude oil. Reuters, 11:50 February 20, 2007

Oil Market in Balance – Kuwait; No Further Production Cut Needed – Iran

On February 19, the Kuwaiti Oil Minister stated that any further cut in production quota by OPEC is unlikely since the oil market is in balance. On February 17, the Iranian Oil Minister also said with prices at the current level, that there is no need for further cuts in the OPEC production quota.

<http://www.platts.com/Oil/News/8892763.xml?p=Oil/News&sub=Oil>

<http://www.platts.com/Oil/News/8892660.xml?p=Oil/News&sub=Oil>

Power Failure Disrupts Kuwaiti Oil Refineries – Power Being Restored

A power failure disrupted all three oil refineries in Kuwait at about 10:00 a.m. local time this morning. Power is being restored and operations are gradually being restarted. Although some 80 percent of the combined 920,000 b/d of capacity is produced for export, since there are ample stocks on hand and no impact on exports is expected. The outage resulted from a short circuit at a power substation.

http://news.yahoo.com/s/afp/20070218/wl_mideast_afp/kuwaitoilrefinery_070218110816

Natural Gas

Natural Gas Pipeline Break Causes Massive Explosion in Houston February 17

A bulldozer hit a 31-inch diameter pipeline in northwest Houston on Saturday evening, causing a massive explosion. Tennessee Gas Pipeline (TGP), which operates the line, immediately began isolating the flow of gas into the 11-mile pipeline and notified residents when the bulldozer hit the line at 2:10 p.m. CST. Despite the company's efforts, the pipeline ignited around 6:35 p.m. A company spokesman said he didn't know how long it would take to repair the damaged pipeline but TGP is routing natural gas through other lines and doesn't expect any significant disruptions to customers.

http://www.houstonist.com/archives/2007/02/19/exploding_gas_p.php

<http://www.chron.com/dispatch/story.mpl/front/4563367.html>

Lodi Gas Storage Announces Open Season for Expansion of Gas Storage in California

Lodi Gas Storage LLC announced expansion plans for its gas storage facility in northern California. Lodi has filed plans with the California Public Utilities Commission to add 12 Bcf of storage to its facility and increase injection capacity by 100,000 MMBtu per day and firm withdrawal capacity by 200,000 MMBtu. The company is holding a non-binding open season on the expanded capacity and anticipates that the additional capacity will be operational by September of 2008.

<http://www.lodistorage.com/news/news.aspx>

<http://intelligencepress.com/>

Canadian Agency Says Gas Export Capacity Adequate to Meet Export Demand

The National Energy Board of Canada has announced that despite the proposed conversion of a gas pipeline to oil use that Canadian export capacity will remain able to supply needs even in the event of another supply disruption like that following the 2005 hurricanes.

<http://intelligencepress.com/>

Other News

British Columbia to Require 100 Percent Carbon Sequestration for All New Coal-fired Generation

On February 13, British Columbia announced that effective immediately, it would require that all new coal-fired generation projects must include provisions for the complete elimination of greenhouse gas (GHG) emissions. At present, the zero emission policy does not encompass existing coal-fired generation. However, the government has set a policy requiring all generation in the province to meet a net zero for GHG emissions by 2016.

<http://www.platts.com/Coal/News/6357681.xml?p=Coal/News&sub=Coal>

Ground Broken in Louisiana for First Cellulosic Ethanol Plant in U.S.

Celunol has broken ground on a new ethanol demonstration plant in Jennings, Louisiana. The demonstration plant is the first in the country to produce cellulosic ethanol. The plant will have a capacity of 1.4 million gallons per year producing the ethanol from locally-grown sugarcane bagasse and specially-bred energy cane.

<http://www.celunol.com/interior.html?redir=news00>

<http://www.platts.com/Oil/News/6357292.xml?p=Oil/News&sub=Oil>

Energy Prices

| U.S. Oil and Gas Prices February 20, 2007 | | | |
|--|-------|----------|----------|
| | Today | Week Ago | Year Ago |
| CRUDE OIL West Texas Intermediate U.S. \$/Barrel | 57.77 | 58.05 | 59.76 |
| NATURAL GAS Henry Hub \$/Million Btu | 7.34 | 7.78 | 7.39 |

Source: Reuters

Energy Notes

LIPA in New York to Inspect all Transmission Lines Following Two Commuter Rail Problems

http://pro.energycentral.com/professional/news/power/news_article.cfm?id=7860897

U.S. Will Consider Strategic Reserve for Ethanol – Bodman

Bloomberg News, 11:41 February 20, 2007

Iraq Resumes Oil Flow to Turkey after Six Week Outage February 15

Oil Daily, February 20, 2007

Links

This Week in Petroleum from the Energy Information Administration (EIA)

<http://tonto.eia.doe.gov/oog/info/twip/twip.asp>

Updated every Wednesday.

Weekly Petroleum Status Report from EIA

http://www.eia.doe.gov/oil_gas/petroleum/data_publications/weekly_petroleum_status_report/wpsr.html

Updated after 10:30 AM & 1:00 PM EST every Wednesday.

Energy Assurance Daily, February 20, 2007

Natural Gas Weekly Update from EIA

<http://tonto.eia.doe.gov/oog/info/ngw/ngupdate.asp>

Updated after 2:00 PM EST every Thursday.

ENERGY ASSURANCE DAILY

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<http://www.oe.netl.doe.gov/index.aspx>.

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